



**Director of  
Central  
Intelligence**

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# **National Intelligence Daily (Cable)**

**16 August 1982**

DIA review completed.

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ISRAEL-LEBANON: Cautious Optimism

(Information as of 2300 EDT)

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*//Only minor firing incidents occurred yesterday in Beirut*  
*The Israeli Chief of Staff denied his forces are moving far into northern Lebanon.*

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Most of the limited exchanges of fire in Beirut yesterday occurred in the southwestern sections of the city. Israeli aircraft overflew Beirut several times on reconnaissance missions.

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*//An Israeli military spokesman reported that Palestinians had fired on Israeli positions in the Bekaa Valley at Al Mansurah Saturday night.*

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Possible Movements in Northern Lebanon

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*//Commenting on the allegations of recent Israeli troop movements in northern Lebanon, Israeli Chief of Staff General Eitan yesterday told the US defense attache in Tel Aviv that a brigade of paratroopers and infantry reserves had moved north and east of Beirut as a contingency against any breakdown in the evacuation of the PLO from Beirut. He said Israeli units are in Juniyah but denied that there are any Israeli troops farther north in the Jubayl area.*

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*troop movements last week that he believes could signal Syrian reinforcement in northern Lebanon. The bulk of these sightings were on the Damascus-Hims road.*

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//The entry of new Syrian forces into northern Lebanon has not been confirmed. [redacted]

#### Condition of Beirut Airport

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The US defense attache toured Beirut International Airport on Friday and found that the north-south runway could be made usable by jet aircraft within 24 to 48 hours. He believes C-130 transports could use it now, although it has a minor accumulation of debris on the surface and some craters. The southwest-northeast runway, which is more cratered and littered, will take longer to repair.

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#### Israeli Concessions

The Israeli cabinet yesterday responded to Ambassador Habib's latest proposals, conveyed earlier to Prime Minister Begin, by making major concessions on the PLO withdrawal plan. [redacted]

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According to press reports, Israeli officials said the cabinet had agreed to allow the French contingent of the multinational force to arrive in Beirut at the start of the Palestinian evacuation. The French Government facilitated the cabinet decision by promising to withdraw its force if the Palestinians attempted to use it as a shield to delay or stop their departure. [redacted]

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Israel still demands the PLO return a captured Israeli pilot and the bodies of nine Israelis killed in Lebanon. [redacted]

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Comment: Israel, Lebanon, and the PLO seem to have reached basic agreement on the terms for a Palestinian withdrawal from West Beirut. The PLO is unlikely to let the issue of the Israeli pilot's return prevent implementation. [REDACTED]

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Some additional bargaining may be necessary regarding the Syrian regular troops in Beirut. [REDACTED]

#### Saudi-Syrian Talks

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Saudi Foreign Minister Saud arrived in Damascus yesterday for talks with Syrian leaders. President Assad is certain to request Saudi financial aid to defray the costs of accepting the Palestinians, and the two sides will discuss ways of advancing a permanent settlement of the Palestinian issue. The prospects for renewed Syrian-Israeli fighting in Lebanon and the Iran-Iraq war will also be discussed. [REDACTED]

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MEXICO: Freeze on Dollar Accounts

*Thursday's prohibition of further dollar withdrawals from locally held bank accounts and temporary suspension of all foreign exchange trading will limit for a time the drain on official foreign reserves*

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Despite the strengthening of the peso at midweek, capital flight had continued and official foreign reserves fell to a record low of less than \$2 billion.

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Under the new regulations, holders of foreign exchange accounts--mostly dollars--have continued access to their accounts only by exchanging them for pesos at the current floating exchange rate.

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Comment: The government suspended dollar bank account withdrawals to assure that oil income would be used to pay for foreign debt service and priority imports, and not to finance private capital flight. The Bank of Mexico had counted more than \$8 billion of the \$12 billion in dollar accounts as secondary foreign exchange reserves. It could not long sustain a run on these funds.

Oil revenues of about \$1.3 billion monthly will be adequate to pay public-sector debt service and avoid a public-sector debt rescheduling. Even with subsidized private-sector interest payments, an increasing number of private firms may reschedule their debt repayments. To finance priority imports for the rest of the year, the government will have to borrow \$4-6 billion on private capital markets at substantially higher interest rates.

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Prohibiting dollar withdrawals will end the private sector's access to Bank of Mexico foreign reserves, but, by aggravating the crisis of confidence, it will spur capital flight from other sources.

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To the extent that President-elect de la Madrid is viewed as the architect of the latest financial moves, continuing crises may also chip away at the mandate he received in last month's election

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If the liquidity crisis continues, Mexico may be forced to tighten exchange controls further and eventually turn to the IMF.

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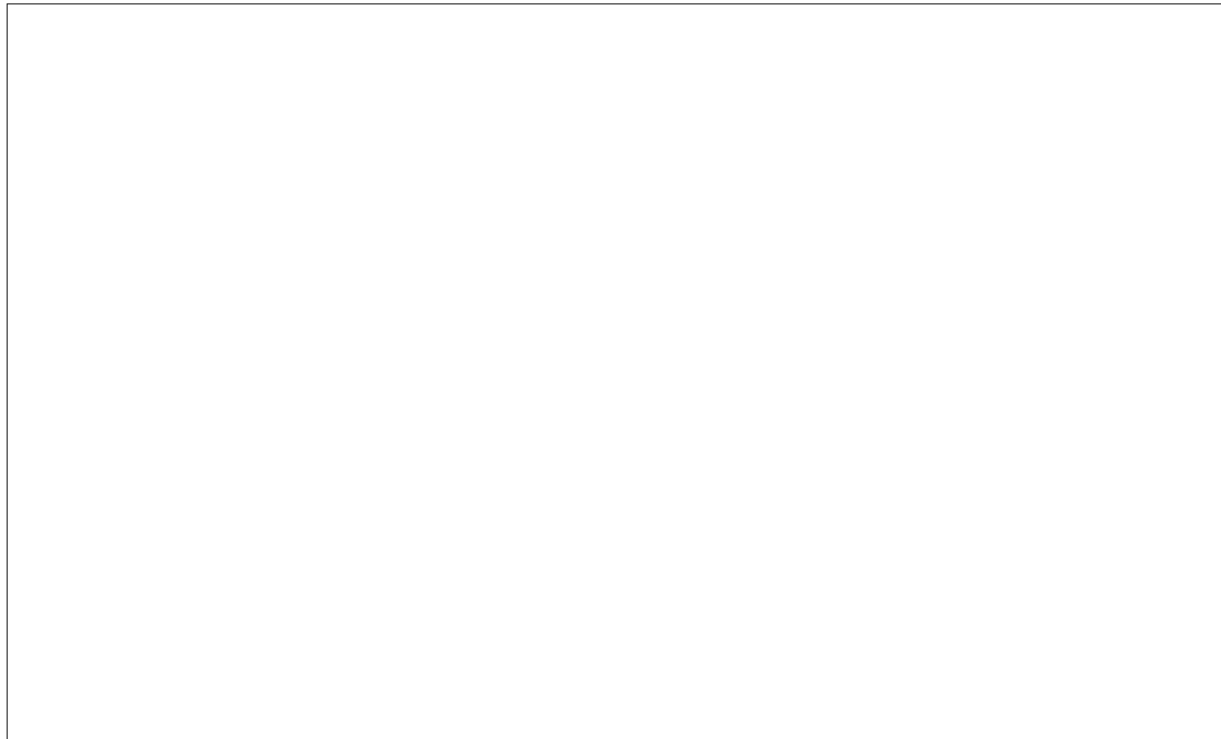
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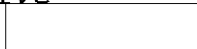
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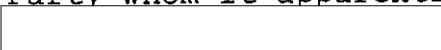
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CHINA-JAPAN: Increased Pressure on Textbook Revisions

China yesterday issued an authoritative *People's Daily* editorial that stepped up its criticism of Japan's revision of textbook coverage of World War II, but Beijing continued to underscore a desire for a rapid solution to the dispute. The editorial--commemorating the anniversary of Tokyo's surrender in 1945--also pointed to "reactionary" war movies, the rites at the Yasukuni war memorial shrine, plans to revise the constitution, and attempts to establish official relations with Taiwan as further examples of efforts by a small group of individuals to revive Japanese militarism and imperialism in East Asia. 

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Comment: Beijing stopped short of directly threatening to postpone Prime Minister Suzuki's trip to China next month but again indicated the necessity for a suitable response by Tokyo on the textbook issue to avoid damage to Sino-Japanese relations. The widened attack, moreover, suggests China will remain suspicious of the motives of conservative elements in Japan's ruling Liberal Democratic Party whom it apparently blames for the current imbroglio. 

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NORTH KOREA - CHINA: Possible Visit by Kim Il-song

//Diplomats in Beijing [redacted]  
indicate North Korean President Kim Il-song is considering a visit to Beijing during the next month or two. Kim's last visit to China was in 1975.// [redacted]

Comment: A trip by Kim to China would be consistent with the improvement in Sino - North Korean relations over the past year. P'yongyang sees a need for more Chinese support to offset South Korea's generally improved ties with the US. The Chinese have been more forthcoming in publicly backing North Korean policy goals and have played down their own emerging economic contacts with Seoul. Whether or not Kim's trip materializes may depend in part on his reading of how far the Chinese might be willing to go in providing more military and economic aid and in backing his plans for transferring power to his son, Kim Chong-Il. [redacted]

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SPECIAL ANALYSES

SYRIA: Assad and the Crisis in Lebanon

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*Despite Syria's humiliating setback in Lebanon, President Assad still has cards to play and will try to play them to regain lost credibility. At the same time, he will watch carefully for signs that Syria's poor showing has encouraged his domestic opponents, especially among the military ranks.*

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Assad probably will end up accepting the PLO leadership and a contingent from Beirut, if only to regain some leverage over the organization and deflect Arab criticism of Syria's showing in Lebanon. Nonetheless, a larger Palestinian presence in Syria could pose danger for him.

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Some guerrillas may try to infiltrate back into northern Lebanon, which could complicate the second-stage negotiations

The Palestinians also may try to renew their support of Assad's domestic opponents. Assad blames the Palestinians for helping to spark the bloody uprising in Hamah earlier this year.

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Assad will try to gain maximum control over the Palestinians, and they will fight equally hard to remain independent. He

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probably realizes that it will be politically difficult, at least at the outset, to deal with the Palestinians too harshly. (C)

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The Withdrawal Issue

Syria's large military presence in Lebanon remains Assad's major asset. Assad evidently intends to use this issue to enable him to play a key role in the negotiations. He probably is resigned to pulling his forces back but not before receiving some political bonus in exchange.

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Assad will try to use the Syrian presence in the Bekaa Valley and northern Lebanon as leverage to gain an Israeli withdrawal from Beirut and the Lebanese approaches to Damascus. The President, however, is likely to avoid new fighting with Israel and instead rely on the residual Syrian military presence and widespread fears of a Phalange takeover to rebuild his influence in Lebanon. [REDACTED]

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[REDACTED] He knows important elements of Lebanon's Sunni community, as well as anti-Phalange Christians, will look increasingly to Syria for protection and support if Bashir Jumayyil becomes president. [REDACTED]

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Guarding Against Israel

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Assad probably realizes, however, that ultimately his ability to recoup in Lebanon depends on his willingness to engage the Israelis militarily. If the Israelis move to evict Syrian forces from Lebanon, Assad may risk large-scale fighting in the hope it would prompt the superpowers to intervene to bring about a settlement. [REDACTED]

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In this case, Assad's ultimate goal would be a new peace process, set in motion by the superpowers, in which he could gain a settlement on the Golan or absorb Syrian-controlled parts of Lebanon in return for the Israeli occupation of southern Lebanon. Although he probably will continue to try to limit the Soviet presence and prerogatives in Syria, he may try to persuade Moscow to send Damascus at least a token military contingent in the hope that this would put pressure on the US to rein in Israel. [REDACTED]

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If the Soviets believed the Israelis intended to destroy Syria's armed forces and topple Assad, they probably would agree to his request. Any force they sent, however, would be small and deployed well away from the fighting in order to minimize the risks of a clash with the Israelis. [REDACTED]

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LIBYA: Failure of OAU Summit

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*The collapse of the OAU Summit in Tripoli earlier this month over the issue of admitting the Polisario Front has been profoundly frustrating for Libyan leader Qadhafi, who had long been counting on the prestige he would gain as OAU Chairman. The humiliation probably will strain Libyan relations with Algeria and the Polisario and could have repercussions at home.*

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Qadhafi has blamed the US for the debacle, but he probably is in a quandary over his next actions. He has not yet given up hopes of salvaging a summit at a later date, although he may not be able to refrain from reprisals against moderates that would only aggravate the situation.

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The Libyan leader evidently considered convening a rump session of radical OAU delegations but ultimately took pains to distinguish the meetings that were held from official OAU sessions. Instead, a five-member committee was set up to try to arrange a full summit later, and a declaration was issued in Tripoli similar to a summit communique.

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A breakaway summit of radicals probably remains a possibility, if no progress is made in resolving the Polisario admission issue. Such a meeting is less likely, however, now that the delegations have left Tripoli and the moderates again have a voice in the consultations and plans.

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For all his anger, Qadhafi has to realize a rump session of the OAU would merely harden the division in the organization, reduce the likelihood of future compromise, and leave him even further from his goal. He would not be recognized as OAU Chairman by most Africans or by those members of the international community he most wants to impress.

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Qadhafi is likely to keep the summit option--and his hopes of future chairmanship--alive by a mixture of pressure and persuasion directed toward states that failed him at Tripoli. The summit was only about four votes short of a quorum, and such a strategy could pay off.

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Clear retaliation would doom his efforts, alienating both the targets of his maneuvers and a number of African states whose good will he needs. If a summit is eventually convened elsewhere or if Qadhafi's hopes are definitively dashed in some other manner, however, he may express frustration by acts of subversion or terrorism, against states he believed betrayed him. [REDACTED]

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#### Relations With Algeria and the Polisario

The collapse of the Summit is likely to cool Libya's relations with Algeria and the Polisario. The head of the Upper Volta delegation has said Libya did its best to save the session by persuading the Polisario representative to step aside, but Algeria and others insisted on the principle that "revolution cannot be bartered." Algeria also is said to be leading a drive to hold an alternate summit soon in Addis Ababa, perhaps to deprive Qadhafi of the chairmanship. [REDACTED]

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Algeria, despite its ostensible alliance with Libya in the radical Arab Steadfastness Front, probably is just as happy to see Qadhafi deprived of the OAU chairmanship. Algeria will also welcome worsened Libyan relations with the Polisario, now that Qadhafi has revealed his willingness to sacrifice the Front to his ambitions. [REDACTED]

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#### Domestic Repercussions

Tripoli seems to be making an effort to keep the full dimensions of the summit collapse from the Libyan people. The media acted as though nothing had gone awry. [REDACTED]

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Nonetheless, the regime has been unable to keep the word from spreading. If it becomes widely accepted that Qadhafi is so despised that African leaders refuse to attend a summit under his auspices, domestic support for his regime may be further damaged. [REDACTED]

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### Outlook

Although the situation remains fluid, the odds are growing that Qadhafi will not be able to host another summit. Africans may realize the Polisario question has a better chance of resolution if it is divorced from the emotional issue of Qadhafi's chairmanship. [REDACTED]

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An extraordinary summit could be convened to settle the Polisario issue somewhere other than Tripoli. In any case, if it becomes clear to Qadhafi that the chairmanship has eluded him, he will be increasingly likely to lash out against his moderate neighbors. [REDACTED]

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